

# FISCAL NOTE

**Bill #:** HB0072

**Title:** Revise method of valuing agricultural land for property taxation

**Primary Sponsor:** Peterson, J

**Status:** As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$726,835	\$673,165
<b>Revenue:</b>		
General Fund	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	(\$726,835)	(\$673,165)

- |  |  |
|--|--|
| <input type="checkbox"/> Significant Local Gov. Impact               | <input type="checkbox"/> Technical Concerns            |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached             | <input type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

#### **Department of Revenue**

1. The purpose of this bill is to equalize valuation assessments among Class – 3 agricultural properties and Class 10 – forest land properties in order to create a fair, uniform and equitable property tax system. Montana has 50.1 million acres of agricultural land and 4.1 million acres of private forest land.
2. Statewide, the agricultural land productivity system has not been comprehensively reviewed for approximately 40 years. A significant number of acres are currently in the wrong agricultural land use category. The accuracy of the state's forest land productivity system has not been reviewed since the early 1990's. The current productivity tax systems are very labor intensive and impossible to maintain with current staffing levels.
3. The reappraisal provided in this proposal would begin on July 1, 2005 and be completed by December 31, 2007. The reappraisal replaces hand-drawn assessment maps with a state-of-the-art GIS system that will reflect current land use for agricultural and forest land. The land productivity is based on the United States Natural Resource Conservation Service (NRCS) soil survey. Agricultural use is classified using information from the United States Farm Service Agency.

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4. The department will digitize new forest/non-forest delineations using improved software technology and contract with the University of Montana, School of Forestry to produce more accurate forestland productivity estimates using improved modeling techniques, improved climatic data, and NRCS soil survey.
5. The reappraisal of agricultural and forest land will create a seamless classification/productivity system sharing common soil, climate, topology, and precipitation data.
6. The Executive Budget includes a \$1.4 million one-time-only appropriation for the costs described below.
7. The department will hire 12.00 FTE to assist in the reappraisal. The staff will compile and edit data used in the geographic information system and conduct field reviews to verify current land use where needed on over 54 million acres of land.
8. Salary for (1) GIS Analyst, grade 14, is \$34,592 in FY 2006 and \$34,459 in FY 2007. Salary for (4) Ag Appraisers, grade 12, is \$115,308 in FY 2006 and \$114,864 in FY 2007. Salary for (7) Cartographers, grade 12, is \$201,789 in FY 2006 and \$201,012 in FY 2007. The personal services, including benefits, total \$474,199 in FY 2006 and \$472,629 in FY 2007..
9. Operating expenses include contract services, supplies, and travel.
10. Total contract services are \$131,000 in FY 2006 and \$144,100 in FY 2007.
  - a. The department will require a one-time only update to the existing Computer Assisted Mass Appraisal System (CAMAS) in FY 2007. Contract services with the computer vendor, Cole-Layer-Trumble (CLT), will require an additional 70 hours of programming time at \$200 per hour. Contract services with CLT = \$14,000 in FY 2007 only (70 hours X \$200/hr = \$14,000).
  - b. The department will contract with the University of Montana School of Forestry to update and improve forestland productivity estimates. The estimated contract costs with the University are \$130,000 for the biennium, split equally between fiscal years.
  - c. The department will contract with the Natural Resource and Conservation Service. NRCS estimates by the end of 2008, approximately 400,000 acres of land will be lacking a current 1:24,000 soil survey. The department, working in concert with NRCS, will use existing information such as the State Soil Geographic Database (STATSGO) data or extrapolate data from comparable properties to digitize the dataset. Work includes review of existing soil survey data and on-site review. The costs are \$66,000 in FY 2006 and \$65,100 in FY 2007. Total cost = \$131,100.
11. There are 2,500 townships that would require digitizing. After the initial dataset is built, DOR agricultural appraisal staff will utilize Quality Assurance/Quality Control (QA/QC) maps on which to identify and delineate discrepancies. The maps would then be returned to a GIS technician for final editing. Software purchase would include Arc Info licenses and image interpretation software for 7.00 FTE. Total supplies are \$35,200 in FY 2006 and \$10,000 in FY 2007.
  - a. There is a one-time only cost for software licenses in FY 2006 of \$22,400 (\$3,200 per 7 workstations).
  - b. There are isolated areas where the Farm Services Agency will not digitize land use and also land use changes that the department must digitally update. The department will purchase imagery to classify and digitize land use where needed. The total cost in FY 2006 for FSA Image Dataset is \$2,800.
  - c. Township maps using digital ortho-photography will be produced for 2,500 townships. Multiple maps will be generated as map corrections are made and updates to the maps are completed. The cost of paper and ink supplies for completing the maps using the GIS Plotters is identified below. (\$8.00 per township X 2,500 townships = \$20,000). Fifty percent of the cost will be in FY 2006 and fifty percent cost in FY 2007.

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12. Estimated travel expenses are \$46,436 in FY 2006 and \$46,436 in FY 2007. The four agricultural appraisers, the GIS analyst and the management analyst from the Property Assessment Division will be required to travel extensively for quality assurance and quality control.
13. Total equipment expenses are \$40,000 in FY 2006 and \$0 in FY 2007.
14. Total expenditures for FY 2006 are \$659,024 and \$606,924 in FY 2007.

### FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	12.00	12.00
<u>Expenditures:</u>		
Personal Services	\$474,199	\$472,629
Operating Expenses	\$212,636	\$200,536
Equipment	<u>\$40,000</u>	<u>\$0</u>
TOTAL	\$726,835	\$673,165
<u>Funding of Expenditures:</u>		
General Fund (01)	(\$726,835)	(\$673,165)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$726,835)	(\$673,165)

### EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The overall intent of the bill is that agricultural land will remain taxable value neutral on a statewide basis. However, some amount of shifting may occur in local taxing jurisdictions.

### LONG-RANGE IMPACTS:

The overall intent of the bill is that agricultural land will remain taxable value neutral on a statewide basis. Some shifts in taxable value may occur due to the consolidation of the current five (5) agricultural use classes into the proposed two (2) agricultural use classes.